

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT TACOMA

SHIVA STEIN, Individually and on Behalf of
All Others Similarly Situated,

Plaintiff,

vs.

BARRETT BUSINESS SERVICES, INC.,
MICHAEL L. ELICH, and JAMES D.
MILLER,

Defendants

No.

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

Plaintiff Shiva Stein, by and through her attorneys, allege the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based on, among other things, her counsel's investigation, which includes without limitation (a) review and analysis of regulatory filings made by Barrett Business Services, Inc. ("BBSI" or the "Company") with the United States Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and media reports issued by and disseminated by BBSI; and (c) review of other publicly available information concerning BBSI.

NATURE OF THE ACTION AND OVERVIEW

1
2 1. This is a class action on behalf of purchasers of BBSI securities between February 12,
3 2013 and October 29, 2014, inclusive (the “Class Period”), seeking to pursue remedies under the
4 Securities Exchange Act of 1934 (the “Exchange Act”).

5 2. BBSI is a provider of business management solutions, combining human resource
6 outsourcing and professional management consulting for its operational platform. The Company’s
7 integrated platform is built upon its purported expertise in payroll processing, employee benefits,
8 workers’ compensation coverage, risk management and workplace safety programs, and human
9 resource administration.
10

11 3. On October 28, 2014, after the market closed, BBSI revealed that in the third quarter of
12 2014, the Company recorded an additional increase to its self-insured workers’ compensation reserve of
13 \$80 million, or \$47.9 million after tax, which effectively wiped out the Company’s past five years of
14 pretax earnings. According to the Company, the increase represented approximately 38% of the
15 Company’s total workers’ compensation reserve, bringing the liability up to \$208.3 million at
16 September 30, 2014. Taking into account the effect of this expense, the Company reported a net loss in
17 the third quarter of 2014 of \$37.8 million compared to net income of \$9 million in the year-ago quarter.
18

19 4. On this news, shares of BBSI declined \$26.18 per share, nearly 59%, to close on October
20 29, 2014, at \$18.28 per share, on unusually heavy volume.
21

22 5. Throughout the Class Period, Defendants (defined below) made false and/or misleading
23 statements, as well as failed to disclose material adverse facts about the Company’s business,
24 operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or
25 failed to disclose: (1) that the Company under accrued its self-insured workers’ compensation reserves;
26 (2) that, as a result, the Company overstated its earnings; (3) that the Company lacked adequate internal
27

1 and financial controls; and (4) that, as a result of the foregoing, Defendants' statements were materially
2 false and misleading at all relevant times.

3 6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in
4 the market value of the Company's securities, Plaintiff and other Class members have suffered
5 significant losses and damages.

6 JURISDICTION AND VENUE

7
8 7. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15
9 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-
10 5).

11 8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §
12 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

13
14 9. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27
15 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the
16 effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including
17 the preparation and dissemination of materially false and/or misleading information, occurred in
18 substantial part in this Judicial District. Additionally, BBSI's principal executive offices are located
19 within this Judicial District.

20
21 10. In connection with the acts, transactions, and conduct alleged herein, Defendants directly
22 and indirectly used the means and instrumentalities of interstate commerce, including the United States
23 mail, interstate telephone communications, and the facilities of a national securities exchange.

24 PARTIES

25
26 11. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein,
27 purchased BBSI common stock during the Class Period, and suffered damages as a result of the federal

1 securities law violations and false and/or misleading statements and/or material omissions alleged
2 herein.

3 12. Defendant BBSI is a Maryland corporation with its principal executive offices located at
4 8100 NE Parkway Drive, Suite 200, Vancouver, Washington 98662.

5 13. Defendant Michael L. Elich ("Elich") was, at all relevant times, Chief Executive Officer
6 ("CEO") and a director of BBSI.

7 14. Defendant James D. Miller ("Miller") was, at all relevant times, Chief Financial Officer
8 ("CFO") of BBSI.

9 15. Defendants Elich and Miller are collectively referred to hereinafter as the "Individual
10 Defendants." The Individual Defendants, because of their positions with the Company, possessed the
11 power and authority to control the contents of BBSI's reports to the SEC, press releases and
12 presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the
13 market. Each defendant was provided with copies of the Company's reports and press releases alleged
14 herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to
15 prevent their issuance or cause them to be corrected. Because of their positions and access to material
16 non-public information available to them, each of these defendants knew that the adverse facts specified
17 herein had not been disclosed to, and were being concealed from, the public, and that the positive
18 representations which were being made were then materially false and/or misleading. The Individual
19 Defendants are liable for the false statements pleaded herein, as those statements were each "group-
20 published" information, the result of the collective actions of the Individual Defendants.

21 16. Defendant BBSI and the Individual Defendants are referred to herein, collectively, as the
22 "Defendants."
23

SUBSTANTIVE ALLEGATIONS

Background

17. BBSI is a provider of business management solutions, combining human resource outsourcing and professional management consulting for its operational platform. The Company's integrated platform is built upon its purported expertise in payroll processing, employee benefits, workers' compensation coverage, risk management and workplace safety programs, and human resource administration.

Materially False and Misleading Statements Issued During the Class Period

18. The Class Period begins on February 12, 2013. On this day, BBSI issued a press release entitled, "BBSI Reports Fourth Quarter and Full Year 2012 Financial Results." Therein, the Company, in relevant part, stated:

- 41% Increase in Q4 Gross Revenues to \$597 Million Drives Diluted Earnings per Share of \$0.80 –

Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the fourth quarter and full year ended December 31, 2012.

Fourth Quarter 2012 Financial Highlights vs. Year-Ago Quarter

- Net revenues increased 34% to \$113.7 million
- Gross revenues increased 41% to \$596.7 million
- Net income increased to \$5.8 million or \$0.80 per diluted common share, compared to a net loss of \$93,000 or \$(0.01) per diluted common share

Fourth Quarter 2012 Financial Results

Net revenues in the fourth quarter of 2012 increased 34% to \$113.7 million, compared to \$84.7 million in the fourth quarter of 2011.

1 Total non-GAAP gross revenues in the fourth quarter of 2012 increased
2 41% to \$596.7 million, compared to \$423.6 million in the fourth quarter of
3 2011 (see “Reconciliation of Non-GAAP Financial Measures” below).
4 The increase is due primarily to the continued build in the Company’s
5 Professional Employer Organization (PEO) client count and same-store
6 sales growth.

7 Net income in the fourth quarter of 2012 increased to \$5.8 million or
8 \$0.80 per diluted common share, compared to a net loss of \$93,000 or
9 \$(0.01) per diluted common share in the year-ago quarter. The fourth
10 quarter of 2011 included an increase to the workers’ compensation reserve
11 of approximately \$8.5 million and benefit of a lower annual effective
12 income tax rate resulting from the nontaxable \$10.0 million of key man
13 life insurance proceeds received following the passing of the Company’s
14 former president and CEO. Excluding these items, non-GAAP net income
15 in the fourth quarter of 2011 was \$4.1 million or \$0.41 per diluted
16 common share (see “Reconciliation of Non-GAAP Financial Measures”
17 below).

18 At December 31, 2012, the Company’s cash, cash equivalents and
19 marketable securities totaled \$72.4 million, compared to \$81.8 million at
20 December 31, 2011. During 2012, the Company repurchased 3.0 million
21 shares of its common stock for \$59.7 million, which included the
22 redemption of \$34.8 million of preferred shares issued to finance the
23 repurchase. The completion of the repurchase was financed using a
24 combination of cash on hand and availability under a new revolving credit
25 facility provided by its principal bank. At December 31, 2012, total debt
26 was \$10.0 million, which included \$4.5 million outstanding on the
27 Company’s revolving credit line.

28 **Full Year 2012 Financial Results**

Net revenues in 2012 increased 28% to \$402.7 million, compared to
\$314.9 million in 2011. Total non-GAAP gross revenues in 2012
increased 36% to \$2.1 billion, compared to \$1.5 billion in 2011. The
increase was primarily attributable to the previously discussed increase in
net PEO clients and same-store sales growth.

Net income in 2012 was \$13.1 million or \$1.67 per diluted common share,
compared to net income of \$14.3 million or \$1.41 per diluted common
share in 2011. Excluding \$460,000 of incremental legal and professional
fees associated with the response to requests for a special stockholders
meeting, non-GAAP net income in 2012 was \$13.4 million or \$1.71 per
diluted common share. Net income in 2011 included \$10.0 million of key
man life insurance proceeds received following the passing of the
Company’s former president and CEO, a lower annual effective income

1 tax rate resulting primarily from these proceeds and the \$8.5 million
2 increase to workers' compensation reserve. Excluding these non-recurring
3 items, non-GAAP net income in 2011 was \$9.0 million or \$0.89 per
4 diluted share.

5 **Management Commentary**

6 "The fourth quarter was a continuation of the positive trends we
7 experienced in the first three quarters of 2012," said Michael Elich,
8 president and CEO of BBSI. "These include our strong referral channels
9 driving new business, solid organic growth from continuing customers and
10 the overall maturation of our brand. We also continued investing in our
11 operational infrastructure and professional talent, which has played an
12 integral role in supporting our growth and maintaining our greater than
13 90% client retention rate. We expect these growth drivers to continue as
14 we move through 2013 and remain committed to investing in the business
15 to ultimately support a larger and more mature company."

16 **First Quarter 2013 Outlook**

17 For the first quarter of 2013, the Company expects gross revenues to range
18 between \$585 million and \$590 million, compared to \$432.1 million for
19 the first quarter of 2012. Net loss per common share in the first quarter of
20 2013 is expected to range between \$(0.36) and \$(0.40), which includes the
21 effect of the decrease in outstanding shares as a result of the Company's
22 3.0 million share repurchase, compared to a net loss per common share of
23 \$(0.22) in the year-ago quarter. The first quarter of 2012 included
24 \$460,000 of incremental legal and professional fees from the previously
25 mentioned special stockholders meeting. Excluding these fees, non-GAAP
26 net loss for the first quarter of 2012 was \$1.9 million or \$(0.19) per
27 common share.

28 The Company historically incurs losses in the first quarter due to the
higher effective payroll taxes at the beginning of each year.

19. On March 15, 2013, BBSI filed its Annual Report with the SEC on Form 10-Q for the
2012 fiscal year. The Company's Form 10-K was signed by defendants Elich and Miller, and
reaffirmed the Company's financial results previously announced on February 12, 2013. The Form 10-
K also contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, who
certified:

1. I have reviewed this Annual Report on Form 10-K of Barrett Business Services, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the registrant's most-recent fiscal quarter (the

registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

20. On April 23, 2013, BBSI issued a press release entitled, "BBSI Reports First Quarter 2013 Financial Results." Therein, the Company, in relevant part, stated:

Q1 Net Revenues up 35% to \$112 Million; Non-GAAP Gross Revenues up 37% to \$591 Million

Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the first quarter ended March 31, 2013.

First Quarter 2013 Financial Summary vs. Year-Ago Quarter

Net revenues up 35% to \$111.6 million

Gross revenues up 37% to \$591.2 million

Net loss of \$2.5 million or \$(0.36) per diluted share compared to a net loss of \$2.2 million or \$(0.22) per diluted share

First Quarter 2013 Financial Results

1 Net revenues in the first quarter of 2013 increased 35% to \$111.6 million
2 compared to \$82.4 million in the first quarter of 2012.

3 Total non-GAAP gross revenues in the first quarter of 2013 increased 37%
4 to \$591.2 million compared to \$432.1 million in the first quarter of 2012
5 (see "Reconciliation of Non-GAAP Financial Measures" below). The
6 increase is due primarily to the continued build in the Company's co-
7 employed client count and same-store sales growth.

8 Net loss for the first quarter was \$2.5 million or \$(0.36) per diluted share
9 compared to a net loss of \$2.2 million or \$(0.22) per diluted share in the
10 year-ago quarter. The first quarter of 2013 reflected approximately 3.0
11 million fewer common shares outstanding when compared to the year-ago
12 quarter due to the Company's repurchase of approximately 2.5 million
13 shares from the Estate of William W. Sherertz, as well as 500,000 shares
14 from Nancy Sherertz, on March 28, 2012. The Company historically
15 incurs losses in the first quarter due to the higher effective payroll taxes at
16 the beginning of each year.

17 On March 31, 2013, the Company's cash, cash equivalents and marketable
18 securities totaled \$78.3 million compared to \$72.4 million at December
19 31, 2012. At March 31, 2013, the Company had no outstanding
20 borrowings on its revolving credit facility.

21 **Management Commentary**

22 "The solid momentum we built throughout 2012 continued into the first
23 quarter of 2013, as shown by our fifth consecutive quarter of gross
24 revenue growth greater than 30%," said Michael Elich, president and CEO
25 of BBSI. "This growth can be attributed to a variety of factors, including
26 continued strength in our referral channels, our high client retention rate
27 and the maturation of our brand in the marketplace. Given this
28 acceleration, we will continue to prudently invest in our operational
infrastructure and professional talent throughout 2013 to support a much
larger organization as we grow."

29 **Second Quarter 2013 Outlook**

30 For the second quarter of 2013, the Company expects gross revenues to
31 grow at least 28% to between \$630 million and \$635 million compared to
32 \$494.1 million for the second quarter of 2012. Diluted income per
33 common share in the second quarter of 2013 is expected to range between
34 \$0.68 and \$0.72 compared to \$0.53 in the second quarter of 2012.

21. On May 9, 2013, BBSI filed its Quarterly Report with the SEC on Form 10-Q for the 2013 fiscal first quarter. The Company's Form 10-Q was signed by defendant Miller, and reaffirmed the Company's financial results previously announced on April 23, 2013. The Form 10-Q also contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, substantially similar to those contained in ¶ 19.

22. On July 23, 2013, BBSI issued a press release entitled, "BBSI Reports Second Quarter 2013 Financial Results." Therein, the Company, in relevant part, stated:

Q2 Net Revenues Up 35% to \$128.8 Million Drives 51% Increase in Diluted Earnings per Share to \$0.80

Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the second quarter ended June 30, 2013.

Second Quarter 2013 Financial Summary vs. Year-Ago Quarter:

Net revenues up 35% to \$128.8 million
Gross revenues up 37% to \$675.0 million
Net income increased 57% to \$5.9 million
Diluted earnings per share increased 51% to \$0.80

Second Quarter 2013 Financial Results

Net revenues in the second quarter of 2013 increased 35% to \$128.8 million compared to \$95.5 million in the second quarter of 2012. The increase was due primarily to the continued build in the Company's co-employed client count and same-store sales growth.

Total non-GAAP gross revenues in the second quarter of 2013 increased 37% to \$675.0 million compared to \$494.1 million in the second quarter of 2012 (see "Reconciliation of Non-GAAP Financial Measures" below).

Net income for the second quarter of 2013 increased 57% to \$5.9 million compared to net income of \$3.7 million in the year-ago quarter. Diluted earnings per share in the second quarter of 2013 increased 51% to \$0.80 compared to \$0.53 per diluted share in the year-ago quarter.

During the second quarter of 2013, the Company posted \$63.9 million in restricted investments to collateralize a letter of credit issued to satisfy a

surety requirement for its self-insured workers' compensation program in the state of California. As a result, on June 30, 2013, the Company's cash, cash equivalents and marketable securities totaled \$18.6 million compared to \$72.4 million at December 31, 2012. At June 30, 2013, the Company had no outstanding borrowings on its revolving credit facility.

Management Commentary

"The second quarter's gross revenue figure was the highest in our company's history and the sixth consecutive quarter we grew gross revenues by more than 30%," said Michael Elich, president and CEO of BBSI. "We continue to see our strong referral channels drive new business, increased organic growth from existing clients, and heightened brand awareness within our markets. Investments in our operational infrastructure were an important contributor to the quarter's results and will continue to be a strategic focus as we prepare for future growth. Ultimately, we are confident BBSI's brand will continue to mature in the marketplace."

Third Quarter 2013 Outlook

For the third quarter of 2013, the Company expects gross revenues to increase at least 31% to between \$730.0 million and \$735.0 million compared to \$558.0 million for the third quarter of 2012. Diluted income per common share in the third quarter of 2013 is expected to increase at least 30% to between \$1.05 and \$1.10 compared to \$0.81 in the third quarter of 2012.

23. On August 8, 2013, BBSI filed its Quarterly Report with the SEC on Form 10-Q for the 2013 fiscal second quarter. The Company's Form 10-Q was signed by defendant Miller, and reaffirmed the Company's financial results previously announced on July 23, 2013. The Form 10-Q also contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, substantially similar to those contained in ¶ 19.

24. On October 29, 2013, BBSI issued a press release entitled, "BBSI Reports Third Quarter 2013 Financial Results." Therein, the Company, in relevant part, stated:

Q3 Net Revenues up 33% to \$148.0 Million Drives 49% Increase in Diluted Earnings per Share to \$1.21

Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the third quarter ended September 30, 2013.

Third Quarter 2013 Financial Highlights vs. Year-Ago Quarter

Net revenues up 33% to \$148.0 million
 Gross revenues up 37% to \$764.1 million
 Net income increased 55% to \$9.0 million
 Diluted earnings per share increased 49% to \$1.21

Third Quarter 2013 Financial Results

Net revenues in the third quarter of 2013 increased 33% to \$148.0 million compared to \$111.1 million in the third quarter of 2012. The increase was due primarily to the continued build in the Company’s co-employed client count and same-store sales growth.

Total non-GAAP gross revenues in the third quarter of 2013 increased 37% to \$764.1 million compared to \$558.0 million in the third quarter of 2012 (see “Reconciliation of Non-GAAP Financial Measures” below).

Net income in the third quarter of 2013 increased 55% to \$9.0 million compared to net income of \$5.8 million in the year-ago quarter. Diluted earnings per share in the third quarter of 2013 increased 49% to \$1.21 compared to \$0.81 per diluted share in the year-ago quarter.

At September 30, 2013, the Company’s cash, cash equivalents and marketable securities totaled \$48.0 million, compared to \$72.4 million at December 31, 2012.

During the second quarter of 2013, the Company posted \$63.9 million in restricted certificates of deposit to collateralize a letter of credit issued to satisfy a surety requirement for its self-insured workers’ compensation program in the state of California. At September 30, 2013, the Company had no outstanding borrowings on its revolving credit facility.

Management Commentary

“During the third quarter, gross revenues grew by more than 30% for the seventh consecutive quarter and were the highest in the company’s history by nearly \$90 million,” said Michael Elich, president and CEO of BBSI. “We continue to mature BBSI’s brand in the marketplace complemented by our strong referral channels helping to drive new business as well as healthy organic growth from our existing client base. Our three-tier partnership platform and operational focus also continues to drive an

industry-leading 90+% retention rate. While we are pleased with the quarter's strong results, it is important to note that we continue to reinvest in our company to ultimately support a much larger and more mature organization."

Fourth Quarter 2013 Outlook

For the fourth quarter of 2013, the Company expects gross revenues to increase at least 30% to between \$780 million and \$790 million compared to \$596.7 million in the fourth quarter of 2012. Diluted income per common share in the fourth quarter of 2013 is expected to increase at least 43% to between \$1.15 and \$1.20 compared to \$0.80 in the fourth quarter of 2012.

25. On November 8, 2013, BBSI filed its Quarterly Report with the SEC on Form 10-Q for the 2013 fiscal third quarter. The Company's Form 10-Q was signed by defendant Miller, and reaffirmed the Company's financial results previously announced on October 29, 2013. The Form 10-Q also contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, substantially similar to those contained in ¶ 19.

26. On February 4, 2014, BBSI issued a press release entitled, "BBSI Reports Fourth Quarter and Full Year 2013 Financial Results." Therein, the Company, in relevant part, stated:

Q4 Net Revenues up 27% to \$144.5 Million; Non-GAAP Gross Revenues up 31% to \$779.3 Million

Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the fourth quarter and full year ended December 31, 2013.

Fourth Quarter 2013 Financial Highlights vs. Year-Ago Quarter

Net revenues up 27% to \$144.5 million

Gross revenues up 31% to \$779.3 million

Net income was \$5.6 million, or \$0.74 per diluted share, compared to \$5.8 million, or \$0.80 per diluted share

1 Excluding \$5.1 million, or \$3.1 million after tax, for an increase in
2 workers' compensation reserve, net income was \$8.7 million

3 Excluding \$0.42 per diluted share for the increase to workers'
4 compensation reserve, diluted earnings per share was \$1.16

5 **Fourth Quarter 2013 Financial Results**

6 Net revenues in the fourth quarter of 2013 increased 27% to \$144.5
7 million compared to \$113.7 million in the fourth quarter of 2012. The
8 increase was due primarily to the continued build in the Company's co-
9 employed client count and same-store sales growth.

10 Total non-GAAP gross revenues in the fourth quarter of 2013 increased
11 31% to \$779.3 million compared to \$596.7 million in the fourth quarter of
12 2012 (see "Reconciliation of Non-GAAP Financial Measures" below).

13 In the fourth quarter of 2013, the Company recorded an additional increase
14 to its self-insured workers' compensation reserve of \$5.1 million, or \$3.1
15 million after tax, equating to \$0.42 per diluted share. The increase
16 represents approximately 5% of the Company's total workers'
17 compensation reserve and is a result of increased estimated reserves for
18 prior year injury claims, primarily in the state of California.

19 Taking into account the effect of this expense, net income in the fourth
20 quarter of 2013 was \$5.6 million compared to \$5.8 million in the year-ago
21 quarter. Diluted earnings per share in the fourth quarter of 2013 was \$0.74
22 compared to \$0.80 in the year-ago quarter. Excluding the effect of the
23 increase in workers' compensation reserve, net income increased 50% to
24 \$8.7 million and diluted earnings per share increased 45% to \$1.16 in the
25 fourth quarter of 2013.

26 At December 31, 2013, the Company's cash, cash equivalents, marketable
27 securities, as well as restricted securities totaled \$143.2 million, compared
28 to \$82.1 million at December 31, 2012. At December 31, 2013, the
Company had no outstanding borrowings on its revolving credit facility.

29 **Full Year 2013 Financial Results**

30 Net revenues in 2013 increased 32% to \$532.8 million compared to
31 \$402.7 million in 2012. Total non-GAAP gross revenues in 2013
32 increased 35% to \$2.8 billion compared to \$2.1 billion in 2012. The
increase was primarily attributable to the previously discussed increase in
net PEO clients and same-store sales growth.

Net income in 2013 increased 36% to \$17.9 million compared to \$13.1 million in 2012. Diluted earnings per share increased 45% to \$2.42 compared to \$1.67 per diluted common share in 2012.

Management Commentary

“In addition to record revenue and earnings growth in 2013, we accomplished several important strategic initiatives during the year,” said Michael Elich, president and CEO of BBSI. “All clients have now transitioned to our new payroll and data technology platform, which we expect will improve the quality and consistency of BBSI’s offering. We also continued to expand our infrastructure, as we started 12 business units during the year with another 11 in development for the first half of 2014. We also plan to open two new branches, one in San Luis Obispo and a second in Reno, during 2014.

“BBSI remains well positioned for 2014 and beyond. Along with the maturation of our infrastructure and internal talent, our referral network partners remain strong. Going forward, we are focused on becoming a much larger company with a product offering that remains adaptable and predictable long-term.”

First Quarter 2014 Outlook

For the first quarter of 2014, the Company expects gross revenues to increase at least 24% to between \$735 million and \$755 million compared to \$591.2 million in the first quarter of 2013. Diluted loss per common share in the first quarter of 2014 is expected to be between \$(0.45) and \$(0.50) compared to \$(0.36) in the first quarter of 2013. The Company historically incurs losses in the first quarter due to the higher effective payroll taxes at the beginning of each year.

27. On March 14, 2014, BBSI filed its Annual Report with the SEC on Form 10-K for the 2013 fiscal year. The Company’s Form 10-K was signed by defendants Elich and Miller, and reaffirmed the Company’s financial results previously announced on February 4, 2014. The Form 10-K also contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, substantially similar to those contained in ¶ 19.

28. On April 29, 2014, BBSI issued a press release entitled, “BBSI Reports First Quarter 2014 Financial Results.” Therein, the Company, in relevant part, stated:

Q1 Net Revenues Up 21% to \$135.1 Million; Non-GAAP Gross Revenues Up 23% to \$727.4 Million

Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the first quarter ended March 31, 2014.

First Quarter 2014 Financial Summary vs. Year-Ago Quarter

Net revenues up 21% to \$135.1 million

Gross revenues up 23% to \$727.4 million

Net loss was \$3.6 million, or \$(0.50) per diluted share, compared to a net loss of \$2.5 million, or \$(0.36) per diluted share

First Quarter 2014 Financial Results

Net revenues in the first quarter of 2014 increased 21% to \$135.1 million compared to \$111.6 million in the first quarter of 2013.

Total non-GAAP gross revenues in the first quarter of 2014 increased 23% to \$727.4 million compared to \$591.2 million in the first quarter of 2013 (see “Reconciliation of Non-GAAP Financial Measures” below). The increase was due primarily to the continued build in the Company’s co-employed client count and same-store sales growth, partially offset by the vetting of specific clients who no longer met certain performance criteria.

Net loss for the first quarter of 2014 was \$3.6 million, or \$(0.50) per diluted share, compared to a net loss of \$2.5 million, or \$(0.36) per diluted share, in the year-ago quarter. The Company historically incurs losses in the first quarter due to the higher effective payroll taxes at the beginning of each year.

At March 31, 2014, the Company’s cash, cash equivalents, marketable securities, and restricted securities totaled \$147.9 million compared to \$143.2 million at December 31, 2013. At March 31, 2014, the Company had no outstanding borrowings on its revolving credit facility.

Management Commentary

“BBSI’s 23% increase in gross revenues during the first quarter reflects our continued focus on delivering a management platform that is both predictable and adaptable in how it supports well-run companies over the long term,” said Michael Elich, president and CEO of BBSI. “Vital to this long-term model is a client vetting process which has driven our 90%-plus retention rate. Over the past several months, however, the size of clients that we ultimately determined did not fit our platform has been larger than

in the past. By identifying and canceling clients who were utilizing a disproportionate level of BBSI resources, we expect to achieve a long-term increase in efficiencies and quality of operations, which will benefit remaining and future clients.

“This recent trend does not change our long-term view about our untapped market opportunity, the health of our client base and the strength of our referral network. In fact, we see it as more episodic and expect we will return to a higher pace of growth as we work to backfill lost revenues created by the vetting process. Given this view, we remain well-positioned to continue gaining market share and deliver another record year for our shareholders.”

Second Quarter 2014 Outlook

For the second quarter of 2014, the Company expects gross revenues to increase at least 15% to between \$780 million and \$800 million compared to \$675.0 million in the second quarter of 2013. Diluted income per common share in the second quarter of 2014 is expected to be between \$0.93 and \$0.98 compared to \$0.80 in the second quarter of 2013.

29. On May 12, 2014, BBSI filed its Quarterly Report with the SEC on Form 10-Q for the 2014 fiscal first quarter. The Company’s Form 10-Q was signed by defendant Miller, and reaffirmed the Company’s financial results previously announced on April 29, 2014. The Form 10-Q also contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, substantially similar to those contained in ¶ 19.

30. On July 29, 2014, BBSI issued a press release entitled, “BBSI Reports Second Quarter 2014 Financial Results.” Therein, the Company, in relevant part, stated:

Q2 Net Revenues Up 17% to \$151.1 Million Drives 23% Increase in Diluted Earnings per Share to \$0.98

Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the second quarter ended June 30, 2014.

Second Quarter 2014 Financial Summary vs. Year-Ago Quarter

- Net revenues up 17% to \$151.1 million
- Gross revenues up 18% to \$798.4 million

- Net income increased 24% to \$7.3 million
- Diluted earnings per share increased 23% to \$0.98

Second Quarter 2014 Financial Results

Net revenues in the second quarter of 2014 increased 17% to \$151.1 million compared to \$128.8 million in the second quarter of 2013.

Total non-GAAP gross revenues in the second quarter of 2014 increased 18% to \$798.4 million compared to \$675.0 million in the second quarter of 2013 (see “Reconciliation of Non-GAAP Financial Measures” below). The increase was due primarily to the continued build in the Company’s co-employed client count and same-store sales growth.

Net income in the second quarter of 2014 increased 24% to \$7.3 million compared to net income of \$5.9 million in the year-ago quarter. Diluted earnings per share in the second quarter of 2014 increased 23% to \$0.98 compared to \$0.80 per diluted share in the year-ago quarter.

At June 30, 2014, the Company’s cash, cash equivalents, marketable securities, and restricted securities totaled \$146.1 million compared to \$143.2 million at December 31, 2013. At June 30, 2014, the Company had no outstanding borrowings on its revolving credit facility.

Management Commentary

“The growth in our business for the second quarter of 2014 is a direct result of BBSI’s continued brand maturation in the marketplace,” said Michael Elich, president and CEO of BBSI. “Complemented by healthy organic growth from our existing client base and strong referral channels, we continue to drive new business and maintain our high client retention rate.

“Looking towards the second half of the year, BBSI remains well-positioned to deliver another strong year for our shareholders, despite the client backfilling process we have undertaken. We also continue to expand and invest in our infrastructure and internal talent, which we believe will help us ultimately support a much larger, more mature company.”

Third Quarter 2014 Outlook

For the third quarter of 2014, the Company expects gross revenues to increase at least 14% to range between \$870 million and \$890 million compared to \$764.1 million in the third quarter of 2013. Diluted earnings per common share in the third quarter of 2014 is expected to range between \$1.30 and \$1.35 compared to \$1.21 in the third quarter of 2013.

Diluted earnings per common share in the third quarter of 2013 included a positive impact of approximately \$0.08 per common share from a more favorable tax rate compared to the estimated tax rate for the third quarter of 2014.

31. On August 8, 2014, BBSI filed its Quarterly Report with the SEC on Form 10-Q for the 2014 fiscal second quarter. The Company's Form 10-Q was signed by defendant Miller, and reaffirmed the Company's financial results previously announced on July 29, 2014. The Form 10-Q also contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, substantially similar to those contained in ¶ 19.

32. The statements contained in ¶¶ 18-31 were materially false and/or misleading when made because Defendants failed to disclose or indicate the following: (1) that the Company under accrued its self-insured workers' compensation reserves; (2) that, as a result, the Company overstated its earnings; (3) that the Company lacked adequate internal and financial controls; and (4) that, as a result of the foregoing, Defendants' statements were materially false and misleading at all relevant times.

Disclosures at the End of the Class Period

33. On October 28, 2014, after the market closed, BBSI issued a press release entitled, "BBSI Reports Third Quarter 2014 Financial Results." Therein, the Company, in relevant part, stated:

Q3 Net Revenues up 18% to \$175.0 Million; Non-GAAP Gross Revenues up 18% to \$900.2 Million

Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the third quarter ended September 30, 2014.

Third Quarter 2014 Financial Summary vs. Year-Ago Quarter

- Net revenues up 18% to \$175.0 million
- Gross revenues up 18% to \$900.2 million

- Net loss was \$37.8 million, or \$(5.27) per diluted share, compared to net income of \$9.0 million or \$1.21 per diluted share
- Excluding \$80.0 million, or \$47.9 million after tax, for an increase in workers' compensation reserve, net income increased 20% to \$10.1 million
- Excluding a \$6.62 per diluted share increase to the workers' compensation reserve, diluted earnings per share increased 19% to \$1.35
- Repurchased approximately 28,000 shares for an average price of \$39.95 as part of its 3.0 million share repurchase program

Third Quarter 2014 Financial Results

Net revenues in the third quarter of 2014 increased 18% to \$175.0 million compared to \$148.0 million in the third quarter of 2013.

Total non-GAAP gross revenues in the third quarter of 2014 increased 18% to \$900.2 million compared to \$764.1 million in the third quarter of 2013 (see "Reconciliation of Non-GAAP Financial Measures" below). The increase was due primarily to the continued build in the Company's co-employed client count and same-store sales growth.

In the third quarter of 2014, the Company recorded an additional increase to its self-insured workers' compensation reserve of \$80.0 million, or \$47.9 million after tax. The increase represents approximately 38% of the Company's total workers' compensation reserve, bringing the liability up to \$208.3 million at September 30, 2014.

Taking into account the effect of this expense, net loss in the third quarter of 2014 was \$37.8 million compared to net income of \$9.0 million in the year-ago quarter. Diluted loss per share in the third quarter was \$(5.27) compared to diluted earnings per share of \$1.21 in the year-ago quarter. Diluted earnings per common share in the third quarter of 2013 included a positive impact of approximately \$0.08 per common share from a more favorable income tax rate. Excluding the effect of the increase in workers' compensation reserve, net income increased 20% to \$10.1 million and diluted earnings per share increased 19% to \$1.35.

At September 30, 2014, the Company's cash, cash equivalents, marketable securities, and restricted securities totaled \$167.5 million compared to \$143.2 million at December 31, 2013. At September 30, 2014, the Company had no outstanding borrowings on its revolving credit facility.

1 During the third quarter, BBSI repurchased approximately 28,000 shares
2 of its common stock for \$1.1 million, or an average price of \$39.95 per
3 share. Since implementing a series of repurchase programs beginning in
4 November 2006, the Company has repurchased approximately 1.9 million
5 shares for an aggregate price of \$26.0 million. Approximately 1.1 million
6 shares remain available under the current 3.0 million share repurchase
7 program.

8 The Company's existing credit facility with its principal bank provides
9 borrowing capacity of up to \$14.0 million. Management has entered into
10 discussions with the bank to increase the borrowing capacity to meet the
11 liquidity needs of the Company.

12 *Workers' Compensation Reserve Update*

13 In late 2013, BBSI initiated a reserve strengthening process on workers'
14 compensation claims dated 2012 and prior. BBSI believes the
15 strengthening process is having its intended effect, as 344 or 26% of
16 strengthened claims have been closed in 2014 and the Company has
17 realized \$3.4 million in credits to its reserves on these claims through
18 September 30, 2014.

19 As part of the strengthening process, management initiated a reserve study
20 and engaged the Willis Claims Audit Team. Willis reviewed 180 or about
21 14% of all strengthened claims drawn from a targeted population of 401,
22 or 45% of what the Company has identified as having the highest
23 probability of complexity. Willis concluded their study and rendered an
24 opinion that the total strengthened reserves were more than 100% of their
25 probable ultimate cost. Following completion of the study, the Company
26 has engaged Willis as its independent actuary.

27 In mid-2013, BBSI also initiated a change in reserve practice
28 encompassing three areas: placing dollars up more quickly on all claims;
increasing claims team staffing; and paying and closing claims faster.

While the Company has reason to believe the reserve strengthening and
change in practice are having the intended effect, these combined
initiatives are causing disruption in the incurred and paid trends in the
claims data during 2014, making it difficult for the Company's actuary to
provide management with the best estimate of probable liability. With the
additional \$80.0 million charge, BBSI estimates its total liability for
workers' compensation claims to be \$208.3 million. Over the next several
quarters, BBSI expects to see the effects of its changes in practice
normalize the claims data and provide a clearer indication of potential
liability. The Company believes this strategy provides the most
conservative approach to its reserving practices.

Related to the charge, management anticipates its loss accrual rate for workers' compensation claims to increase approximately 20 basis points or 5% of total workers' compensation expense on a go-forward basis.

Management Commentary

"We have every reason to believe that the workers' compensation data we have presented in the third quarter will normalize over time, proving that the strengthening process and change in practice have had the intended effect," said Michael Elich, president and CEO of BBSI. "Until then, we believe taking a conservative approach right now allows us to look forward and removes the obstacle of the unknowns within the model. We do not see this as inhibiting our ability to execute on the long-term plan for the company.

"Our third quarter results continue to be balanced by new client additions and strong growth from our existing client base. At 8.2%, same-store sales were at the upper end of our high-single digit expectations while we added 182 net new PEO clients in the quarter. These results reflect our continued focus on delivering a management platform that supports well-run companies over the long term as well as the maturity of BBSI's brand in the marketplace."

12 Month Outlook

BBSI expects gross revenues for the next 12 month period to increase approximately 18%. Included in this expectation is a high single-digit contribution from same-store sales growth as well as growth from new business consistent with current trends.

34. On this news, shares of BBSI declined \$26.18 per share, nearly 59%, to close on October 29, 2014, at \$18.28 per share, on unusually heavy volume.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

35. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired BBSI securities traded on the NASDAQ during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and

1 their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had
2 a controlling interest.

3 36. The members of the Class are so numerous that joinder of all members is impracticable.
4 Throughout the Class Period, BBSI securities were actively traded on the NASDAQ. While the exact
5 number of Class members is unknown to Plaintiff at this time and can be ascertained only through
6 appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the
7 proposed Class. Record owners and other members of the Class may be identified from records
8 maintained by BBSI or its transfer agent and may be notified of the pendency of this action by mail,
9 using the form of notice similar to that customarily used in securities class actions.
10

11 37. Plaintiff's claims are typical of the claims of the members of the Class as all members of
12 the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is
13 complained of herein.
14

15 38. Plaintiff will fairly and adequately protect the interests of the members of the Class and
16 has retained counsel competent and experienced in class and securities litigation. Plaintiff has no
17 interests antagonistic to or in conflict with those of the Class.
18

19 39. Common questions of law and fact exist as to all members of the Class and predominate
20 over any questions solely affecting individual members of the Class. Among the questions of law and
21 fact common to the Class are:

- 22 • whether the federal securities laws were violated by Defendants' acts as alleged
23 herein;
- 24 • whether statements made by Defendants to the investing public during the Class
25 Period misrepresented material facts about the business, operations and
26 management of BBSI;
- 27 • whether the Individual Defendants caused BBSI to issue false and misleading
28 financial statements during the Class Period;

- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of BBSI securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and,
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

40. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

41. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- BBSI securities are traded in efficient markets;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NASDAQ, and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased and/or sold BBSI securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

42. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

43. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

COUNT I

Violation of Section 10(b) of The Exchange Act and Rule 10b-5 Against All Defendants

44. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

45. This Count is asserted against Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

46. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of BBSI securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire BBSI securities and options at artificially inflated prices. In

1 furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took
2 the actions set forth herein.

3 47. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the
4 Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and
5 annual reports, SEC filings, press releases and other statements and documents described above,
6 including statements made to securities analysts and the media that were designed to influence the
7 market for BBSI securities. Such reports, filings, releases and statements were materially false and
8 misleading in that they failed to disclose material adverse information and misrepresented the truth
9 about BBSI's finances and business prospects.
10

11 48. By virtue of their positions at BBSI, Defendants had actual knowledge of the materially
12 false and misleading statements and material omissions alleged herein and intended thereby to deceive
13 Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless
14 disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal
15 the materially false and misleading nature of the statements made, although such facts were readily
16 available to Defendants. Said acts and omissions of Defendants were committed willfully or with
17 reckless disregard for the truth. In addition, each defendant knew or recklessly disregarded that
18 material facts were being misrepresented or omitted as described above.
19
20

21 49. Defendants were personally motivated to make false statements and omit material
22 information necessary to make the statements not misleading in order to personally benefit from the
23 sale of BBSI securities from their personal portfolios.
24

25 50. Information showing that Defendants acted knowingly or with reckless disregard for the
26 truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or directors
27 of BBSI, the Individual Defendants had knowledge of the details of BBSI's internal affairs.

1 51. The Individual Defendants are liable both directly and indirectly for the wrongs
2 complained of herein. Because of their positions of control and authority, the Individual Defendants
3 were able to and did, directly or indirectly, control the content of the statements of BBSI. As officers
4 and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate
5 timely, accurate, and truthful information with respect to BBSI's businesses, operations, future financial
6 condition and future prospects. As a result of the dissemination of the aforementioned false and
7 misleading reports, releases and public statements, the market price for BBSI's securities was
8 artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning BBSI's
9 business and financial condition which were concealed by Defendants, Plaintiff and the other members
10 of the Class purchased or otherwise acquired BBSI securities at artificially inflated prices and relied
11 upon the price of the securities, the integrity of the market for the securities and/or upon statements
12 disseminated by Defendants, and were damaged upon the revelation of the alleged corrective
13 disclosures.

14
15
16 52. During the Class Period, BBSI's securities were traded on an active and efficient market.
17 Plaintiff and the other members of the Class, relying on the materially false and misleading statements
18 described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the
19 integrity of the market, purchased or otherwise acquired shares of BBSI securities at prices artificially
20 inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the
21 truth, they would not have purchased or otherwise acquired said securities, or would not have purchased
22 or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or
23 acquisitions by Plaintiff and the Class, the true value of BBSI securities was substantially lower than
24 the prices paid by Plaintiff and the other members of the Class. The market price of BBSI's securities
25
26
27

declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

53. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

54. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company's securities during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

COUNT II

Violation of Section 20(a) of The Exchange Act Against The Individual Defendants

55. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

56. During the Class Period, the Individual Defendants participated in the operation and management of BBSI, and conducted and participated, directly and indirectly, in the conduct of BBSI's business affairs. Because of their senior positions, they knew the adverse non-public information regarding BBSI's business practices.

57. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to BBSI's financial condition and results of operations, and to correct promptly any public statements issued by BBSI which had become materially false or misleading.

58. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which BBSI disseminated in the marketplace during the Class Period. Throughout the Class

Period, the Individual Defendants exercised their power and authority to cause BBSI to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were “controlling persons” of BBSI within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of BBSI securities.

59. Each of the Individual Defendants, therefore, acted as a controlling person of BBSI. By reason of their senior management positions and/or being directors of BBSI, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, BBSI to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of BBSI and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

60. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by BBSI.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys’ fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: November 17, 2014

**ZWERLING, SCHACHTER &
ZWERLING, LLP**

s/ Dan Drachler

Dan Drachler (WSBA No. 27728)
1904 Third Avenue
Suite 1030
Seattle, WA 98101-1170
Tel: (206) 223-2053
Fax: (206) 343-9636
Email: ddrachler@zsz.com

POMERANTZ LLP

Jeremy A. Lieberman
Francis P. McConville
600 Third Avenue, 20th Floor
New York, New York 10016
Telephone: (212) 661-1100
Facsimile: (212) 661-8665
Email: jalieberman@pomlaw.com
fmconville@pomlaw.com

POMERANTZ LLP

Patrick V. Dahlstrom
10 South La Salle Street, Suite 3505
Chicago, Illinois 60603
Telephone: (312) 377-1181
Facsimile: (312) 377-1184
Email: pdahlstrom@pomlaw.com

**CERTIFICATION PURSUANT
TO FEDERAL SECURITIES LAWS**

1. I, Shiva Stein, make this declaration pursuant to Section 27(a)(2) of the Securities Act of 1933 ("Securities Act") and/or Section 21D(a)(2) of the Securities Exchange Act of 1934 ("Exchange Act") as amended by the Private Securities Litigation Reform Act of 1995.

2. I have reviewed a Complaint against Barrett Business Services, Inc. ("BBSI" or the "Company"), and authorize the filing of a comparable complaint on my behalf.

3. I did not purchase or acquire BBSI securities at the direction of plaintiffs counsel or in order to participate in any private action arising under the Securities Act or Exchange Act.

4. I am willing to serve as a representative party on behalf of a Class of investors who purchased or acquired BBSI securities during the class period, including providing testimony at deposition and trial, if necessary. I understand that the Court has the authority to select the most adequate lead plaintiff in this action.

5. To the best of my current knowledge, the attached sheet lists all of my transactions in BBSI securities during the Class Period as specified in the Complaint.

6. During the three-year period preceding the date on which this Certification is signed, I have not sought to serve as a representative party on behalf of a class under the federal securities laws.

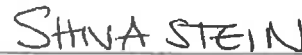
7. I agree not to accept any payment for serving as a representative party on behalf of the class as set forth in the Complaint, beyond my pro rata share of any recovery, except such reasonable costs and expenses directly relating to the representation of the class as ordered or approved by the Court.

8. I declare under penalty of perjury that the foregoing is true and correct.

Executed November 14, 2014
(Date)

A handwritten signature in black ink, appearing to read 'SHIVA STEIN', written over a horizontal line.

(Signature)

The name 'SHIVA STEIN' printed in all capital letters in a simple, sans-serif font, positioned above a horizontal line.

(Type or Print Name)

BARRETT BUSINESS SERVICES, INC. (BBSI)

Stein, Shiva

LIST OF PURCHASES AND SALES

DATE	PURCHASE OR SALE	NUMBER OF SHS/UTS	PRICE PER SH/UT
6/11/2014	PUR	5	\$48.3399